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## WILL AGRICULTURAL PRICES FALL?

### I. INTRODUCTION

In Professor Moulton's very interesting analysis of the run of forces in the advance of prices during and since the war and of the probable operation of these forces in the future,<sup>1</sup> it is strikingly evident that he sets the prices of farm products in a class by themselves, outside the sway of the cost-of-production forces to which he ascribes so potent an influence in the determination of prices of the manufacturer's and merchant's wares. As a footnote to the argument that, "speaking generally, business men resisted a reduction of prices in the face of high and rising costs," he points out the strengthening of this tendency toward price maintenance which has come about from the development of cost-accounting methods. In this note is interjected the brief observation: "In agriculture, demand and supply fix the price of produced goods," to which it is added, "but increasingly in manufacturing lines computations of probable cost not only fix price quotations but govern as well the volume that will be produced."<sup>2</sup>

<sup>1</sup> See "War Finance and the Price Level," *Journal of Political Economy*, October, 1919, and "Will Prices Fall?" *ibid.*, November, 1919.

<sup>2</sup> The interposition of the word "produced" in the former of these sentences is felicitous, and yet it may be asked whether it constitutes an adequate qualification of the bald proposition which evidently lurked at the back of the writer's mind. It is

It is evident, as Professor Moulton implies, that if the farmer elects in peace time as he did in war time to carry on production in accordance with some scale of effort not restricted by a canny scrutiny of production costs, the equation of such supplies against current demands might quite possibly bring about a lowering of the prices of agricultural products. It is conceivable that such a situation might be brought about as a result of appeals to the farmer's high sense of social obligation or, as was hinted in Moulton's footnote, through mere economic stupidity.

It is conceivable also that some other set of influences might cause agricultural goods to be put upon our market from outside sources of supply at a range of prices below the estimated costs of those of our farmers who might, in accordance with the best obtainable information as to current production costs, be holding out for present or even advancing prices. Such a break in farm prices, from whichever of the possible causes it might be brought about, might well prove to be the decisive factor in effecting a reversal

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felt, apparently, that there is an antithesis between the determination of the flow of goods upon the market from a manufacturing plant in accordance with the dictates of cost-accounting data and, on the other hand, the price-making process involved in the disposal of goods whose volume physically and actually in the market and not merely potentially within reach of it (e.g., after some process of manufacture has been undertaken and carried through) characterizes the farm-products markets. I have already endeavored elsewhere (see "Normal Price as a Market Concept," *Quarterly Journal of Economics*, August, 1919) to set forth the nature of such divergence as does exist between these two market situations, but in that case was endeavoring to elaborate that part of the matter alluded to in Professor Moulton's incidental remark, viz., the way in which price balances are brought about during these intervals within which conditions of supply are not subject to alteration owing to the dependence of the operation of the farm plant upon the influences of the weather. A brief paragraph, however, was devoted to the present issue touching the possibilities of control over the volume of output through alterations in the scale of productive operations. This comment was as follows:

"The production of farm crops is subject to expansion or contraction of acreage, the enthusiastic propagation of plants and animals or the disheartened slaughter of live stock and uprooting of orchards. Likewise, the farmer may neglect his crop in midseason and even 'let the weeds take it,' or he may give it extra cultivation, fertilizer, or irrigation; animals may be 'forced' for maximum growth or turned out to fend for themselves—all this in response to the inducements or discouragements which the farmer sees in the trend of market prices. These facts give us what basis there is for the application of current theories of normal price to the farmer's business situation."

of the "vicious spiral" of increasing costs from which we are now seeking some avenue of escape.

In view of the significance of farm prices in the United States in their influence upon the effective demand of one-half of our population as well as upon the cost of producing labor and of supplying raw materials for a considerable part of the other half of the people, it seems worth while to scrutinize carefully this agricultural phase of the price outlook.

## II. IS THE FARMER CONCERNED ABOUT PRICE MAINTENANCE ?

Like many another economist who was reared on a farm, Professor Moulton is acquainted only with the old-time farmer by whom the ills that followed in the train of overproduction were accepted with much the heavenly grace or peevish resignation with which the old-time mother accepted the hard lot entailed by a too large family. But it is a mistake to suppose that today the American farmer still functions in his capacity as a creator of crops with the instinctive and unregarding ardor of the dumb beasts or the unsophisticated sons of the human race, blind to the consequences of a too ample fruitage. There has been widespread failure on the part of the public to keep abreast of the propagandist movement by which the modern business farmer has been posted concerning the applicability and benefit of those prudential checks, the exercise of which is calculated to enable him to keep his income and his desired standard of living marching in step.

In fact, however, the printed and spoken words of these preachers of purposeful restraint are to be found on all hands. For some two years a certain farm journal of wide circulation has featured the slogan: "A good living and 10 per cent"; for an even longer time another editor has periodically run profit-and-loss charts on several important lines of farm products and has constantly urged his readers not to produce more than can be sold at prices which will show a profit above cost of production; practically every other paper has fallen into line in a campaign for refraining from production where costs bid fair not to be returned in selling price, and a nation-wide movement has gradually gained volume among the

colleges of agriculture and state and national departments of agriculture looking toward the ascertainment of costs of producing many different products in the various farming regions—this as a basis both for protecting the level of productive effort and of settling upon a holding price in dealings with consumers or trade buyers. I venture to assert that if the thought of the mass of American farmers could today be sublimated into a single brief expression it would be: "We must learn what it costs to produce our stuff and then organize associations powerful enough to see that we get this price."

The vicious spiral of price maintenance or advance under the spur of wage demands, high rents, expensive materials, etc., which Professor Moulton traces in the case of the manufacturer and merchant, exercises a quite similar influence over the operating plans of many an American farmer just now as we stand at the close of one year's business and near the moment of deciding what machinery shall be bought, what help hired, what animals bred, what fields planted for the season of 1920. A half-dozen agricultural papers will substantiate this view.

The high living cost question will not be settled until the American farmer is *guaranteed full cost of production and 10 per cent profit*. When that is permanently guaranteed the farmers will get together and arrange for fair distribution. Increased prices for farmers and decreased cost for consumers have got to go together. . . . It is fundamental that the producer of any commodity shall receive costs and a fair profit. No human being while in his right mind can dispute that [*The Rural New-Yorker*, May 31, and August 16, 1919].

"We have long realized that we have been underpaid," said President Brooks [of the Southern Illinois Milk Producers' Association]. "It is time for farmers to stand up for themselves and get somewhere near what our product is worth. We do not expect to get this price in September, but we do want to work up gradually to the use of the Pearson [cost of production] formula in governing our prices" [*Orange Judd Farmer*, September 6, 1919].

To produce sufficient food is the primal duty of those engaged in agriculture, and to the limit of their physical and financial ability this duty should be performed. For this there must be an equivalent in value. Farmers discharging this duty to organized society have a right to demand such returns as will fairly compensate them for their capital invested, their technical skill,

their managerial ability and their manual labor. . . . Reliable cost of production studies and records are in existence, proving inadequate returns to agriculture. This information should be widely circulated so that the public may know the truth. Further studies of cost of production together with comprehensive studies of marketing including prices actually received by farmers are also needed [statement of the farm representatives to the President's Industrial Conference, October, 1919].

Southern farmers are setting an example for those of other sections of the country in the business-like way they are handling the cotton-marketing situation. Last winter they decided that it was folly to produce more cotton than the market would take at a fair price. After a study of the probable world demand, they decided on the proper acreage to meet that demand, and were able to keep planting down nearly to that figure. This year, after careful study of the cost of production, the cotton growers decided that a price of 36 to 40 cents a pound was necessary to give a small profit over cost of production. They are getting this price by the simple process of refusing to sell for any less. This is exactly the same method followed by every manufacturer. He makes his prices by adding his profit to his cost, and refuses to sell for less [*The Prairie Farmer*, October 18, 1919, p. 5].

We have forced prices below the cost of production, and empty feedlots all over the Corn Belt are the forerunners of empty stomachs next winter. The city papers are jubilant over the \$8 drop in the price of hogs. But their joy will be short-lived if farmers refuse to breed sows at the reduced price. Beefsteak is a cent or two cheaper at some butcher shops. But does that compensate for empty feedlots all over Illinois? The government can fix low food prices by law, it can force down prices by agitation, but it cannot compel farmers to produce food at a loss. There is small comfort in low food prices when there is not enough food. The public hurts itself most of all when it buys food below cost. It is signing its own death warrant. Nothing will dry up the source of supply more quickly than unprofitable prices [*ibid.*, p. 9].

All country folk of today know, either personally or by hearsay, of the bitter experiences which accompanied the period of low prices for agricultural products prior to 1897. The older generation showed a dogged resignation to the rôle of feeding and clothing other men at a personal loss. But the rising generation shows little relish for such a lot. The better education and the higher standard of living, which has been characteristic of their formative years, have both fixed in their minds a determination to project such conditions into the future and have given them resources calculated to make such a purpose come to pass. One not inconsiderable

effect of the last twenty years of relative prosperity in agriculture has been to keep in or to draw into the ranks of this calling men of ability and leadership and to build up a type of organization which must prove of great aid in combating whatever force may appear to threaten their continued welfare.

We shall speak later of the scope and activities of these farmers' organizations. But here at the outset it should be made clear that the psychology of the movement rests upon a deep determination to maintain a good standard of living and upon a widespread interest in, and respect for, cost-of-production figures as the necessary means to that end. Just as the reaction from the old-time scorn of "book-larnin'" has been an avid desire to keep up with the latest facts and theories concerning soil fertility, animal nutrition, farm mechanics, and the like, so the early aversion to "figgerin'" passes somewhat swiftly into a worship of a cost-of-production formula or the enterprise accounts by which the individual farm manager aims to keep his efforts and his outlays directed along the line of greatest financial return, and likewise those cost data of wider scope by which the exactions of the middleman are to be exposed, the fallacies of the consumer combated, and those agencies which would influence prices to the farmer's disadvantage put to rout. The farmer is, in my experience, a dyed-in-the-wool cost theorist in his ideas of value, a stickler for "just" price and "fair" value so interpreted, and a firm believer that "supply and demand" is a device of the devil—either a lie or a crime and perhaps both. This attitude, together with a fairly comprehensive supply of cost figures, formulas, and price ratios (which appear never to err in the direction of understatement), and a considerable accounting paraphernalia for securing large current supplies of similar ammunition, gives the setting in which we find those forces which the farmer has organized for combating any attempt to dislodge him from his present price position.

### III. THE ADVANCE IN COST FACTORS IN THE PRODUCTION OF FARM PRODUCTS

If it be asked whether the present advance in the prices of farm products can be explained and efforts to maintain these prices justified on the basis of a similar advance in the cost elements

entering into their production, an affirmative answer is certain to be forthcoming. The influences which have advanced the cost of iron and steel products, lumber, gasoline, lubricating oils, chemicals, glass, rope, textiles, etc., have increased the farmer's cost of buildings, equipment, and supplies quite as drastically as those of the manufacturing or commercial concern. The prices of machinery will naturally be thought of as being of greatest significance in this connection, and the cost of farm machinery has advanced like that of all other machine equipment, probably over 100 per cent on the average. Binder twine and rope, fertilizers, harness, insecticides, salt, gasoline, fuel and lubricating oils, and building and fencing naturally are all important cost items. A short list of important articles of farm use will illustrate this fact.

	1918 Price Per Cent of				1918 Price Per Cent of		
	1917	1914	1909		1917	1914	1909
Barb wire.....	123	199	206	Sacks, grain.....	153	282	307
Fertilizer.....	124	170	178	Salt (for stock).....	126	167	183
Gasoline.....	111	163	144	Shingles.....	117	149	157
Harness.....	133	166	187	Shovels.....	130	192	203
Harrows.....	130	226	234	Tin pails.....	146	222	240
Lumber, 1-inch.....	123	167	159	Twine, binder.....	127	250	272
Mowers.....	127	172	181	Wagons, double.....	129	171	189
Paint, mixed.....	127	204	219	Wire fence.....	124	192	196
Paris green.....	122	223	231				
Plows.....	128	190	200	Average.....	128	189	205

The above-mentioned figures are taken from a list of eighty-five items prepared by the Bureau of Statistics of the United States Department of Agriculture.<sup>1</sup> The average of this whole list shows an advance of 32 per cent over 1917, 97 per cent over 1914, and 108 per cent over prices in 1909,<sup>2</sup> but these figures are not so suitable

<sup>1</sup> See *Monthly Crop Reporter* (March, 1919), p. 36. The data for 1919 are not yet available, but Mr. Nat C. Murray, assistant chief of the Bureau of Crop Estimates, has kindly furnished the writer with a tabulation of fifty quotations copied from the random returns received up to the middle of January which "will probably approximate fairly the percentage increase that will be shown from a full tabulation." This sample of the price figures for 1919 shows an advance over 1918 of 17 per cent, which would make the costs in 1919 a little over 221 per cent of those of 1914.

<sup>2</sup> *Ibid.*, p. 33. It is interesting in this connection to note the following comment on the correspondence between advances in the prices of farm products and of the



for our present purpose in view of the fact that over one-third of the items relate to articles of domestic consumption.

The other principal item of cost in the production of farm products is wages, and here we find a similar advance in the farmer's cost of operation. The traditional hired man's wages of \$25 to \$35 per month have given way to rates of \$50, \$60, and even \$75.<sup>1</sup> Day wages have rapidly mounted from the \$1.25 to \$3.00 level to \$5.00, \$6.00, and sometimes \$8.00 in cases of special shortage or special classes of labor. Piece rates on corn husking have risen from the old 3 or 4 cents per bushel to 7 and 8 cents in Corn Belt states where employing farmers have used concerted action to prevent bidding against each other. Elsewhere rates of 10 cents per bushel have not been unknown. New York apple pickers got from 12½ to 15 cents per barrel before the war and 25 cents or occasionally more per barrel during the past year, whereas cherry picking, which used to command a piece rate of 1 cent per pound, rose to 3 and 4 cents in 1919. Cotton picking advanced from the long-established standard of 50 cents to \$1 per hundred pounds to \$2.00, \$2.50, and in some cases \$3.00 per hundred in 1919. Comprehensive studies of farm wages made by the United States Department of Agriculture indicate that, taking 1910 as a base year, monthly wages with board had risen to 109.6 per cent by 1914, 150.3 per cent in 1917, 181.7 per cent in 1918, and 207.3 per cent in 1919, taking the United States as a whole. In the seven North Central states west of the Mississippi River the advance was not quite so great on monthly wages, being 178 per cent and 200.4 per

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farmer's cost goods: "Prices of articles which farmers sell were only about 14 per cent higher in 1918 than in 1917, but about 97 per cent higher than in 1914. That is, since 1914 the prices of articles which farmers buy and prices of articles which farmers sell increased in about the same proportion. Farmers' products were the first to advance but other products during the past year have overtaken the advance of farm products. Thus from 1914 to 1917 the advance of farm products was about 74 per cent as compared with an advance of about 49 per cent for articles which farmers buy, but in the past year the increase of farm products was as stated only about 14 per cent compared with an advance of 32 per cent for other articles" (*loc. cit.*).

<sup>1</sup> A farmer of wide acquaintance in southwestern Iowa says that farm labor in that section is demanding from \$75 to \$100 per month with board and the use of an automobile.

cent in 1918 and 1919 respectively. However, in the matter of day wages in harvest this section showed a more drastic advance, namely, 136.6 in 1917, 179.3 in 1918, and 227.6 in 1919, as against 139.6, 176.9, and 210.4 per cent for the United States as a whole in the last three years.<sup>1</sup>

Finally, a third aspect of the matter should be mentioned, if it can be done without seeming to commit the unpardonable sin of presenting rent in the light of a production cost. This third factor consists in the marked advance in the prices of land and in the level of rents which has taken place to some degree all over the country and quite drastically in the best agricultural regions. The steady advance in farm land prices, which has been going forward in most parts of the United States for some years, quickened to a brisker pace after war conditions began to improve the market for farm products. This in turn broke into a veritable storm of speculation during the summer of 1919, the effects being especially marked in the Corn Belt. In Iowa advances of \$75 to \$125 per acre have been characteristic and top figures of \$300 to \$500 per acre have been by no means uncommon, while figures as high as \$700 and \$800 have been reported in several instances. Even on March 1, 1919, before the real boom began, the Bureau of Crop Estimates of the United States Department of Agriculture found the average value of all plow lands for the United States to have advanced 27 per cent since 1916. Cash rents in this state have advanced from \$5 and \$8 to \$12, \$15, \$20, and in some cases \$30 per acre, and share rents have in some cases been revised so as to give the owner a larger return than would be received from the mere rise in the market value of his share of the farm produce.

In presenting these facts there is no intention of making the tail wag the dog or of arguing that land prices and rents make commodity prices. However, I think it cannot be controverted that under the circumstances indicated there will be exerted the strongest pressure possible on the part of farmers to hold the selling prices of their products up to a level which will enable them to pay the rents contracted for without trenching unduly upon the fund

<sup>1</sup> Figures taken from *Monthly Crop Reporter* (December, 1919), p. 135.

which must be secured out of gross income if operating and living expenses are to be met and the standard of living maintained. Likewise, the nominal owner who has incurred a heavy mortgage obligation will be no less zealous in the cause of maintaining prices which have already been capitalized in the purchase price to which he has committed his savings and in effect contracted his labor for many years to come. The investing landlord may not be in quite such dire need of maintaining the price level, since he may be able to shift part of his losses on the tenant and may have a wider leeway for bearing the remainder. But often the party who can bear such a burden with least suffering is the hardest one to reconcile to such a disappointment and the one who is in the strongest position to ward off the blow.

At all events a community of interest has developed between all classes of farm capitalists and laborers, and likewise of those who look to them as the purchasers of their wares; all these feel distinctly that any recession in the prices of farm products could not take place without harming them and must be resisted by every means possible. Let us turn, therefore, from their theory of what must be to the conditions by which they are confronted.

#### IV. THE ABILITY OF THE FARMER TO PROTECT HIS RETURNS

No one who is a student of affairs to the extent even of being a newspaper reader can fail to be aware that a great movement for the organization of all branches of our agricultural industry has for some time been going forward. The movement has a history running back into the past generation but, both extensively and intensively, its development has been greatly accelerated by the events of the last few years. The psychology of the matter has been touched briefly at the close of Section II. Roughly, it may be summed up by saying that as far as the farmer had been producing his goods at prices which did not yield the means for a reasonably satisfying life he is sick of it; and that in so far as his productive efforts have of late been comfortably rewarded, he finds it distinctly enjoyable. Hence, he proposes to use the methods

pursued by other economic groups in order to avoid the former and to safeguard the latter situation.

The posture of affairs today as they concern the possible enforcement of the farm producer's views upon the buying public finds no parallel in our past history. Business organization has quite largely relocated the agriculturist in our scheme of things since the down-price period of the latter nineteenth century. Then farmers were weak as a class because of the poor strategic position of agriculture at a time when an empire of highly fertile land and a horde of hardy, speculative, and energetic settlers flooded the markets of the world with grain and meat and textiles. Likewise, farmers were weak individually because they stood single-handed against the great economic forces with which they had to deal—transport, trade, finance, and the manufacturing consumer of their raw materials. To be sure, beginnings were made toward the organization of farmers during the period between the close of the Civil War and the end of the century. Most of these, however, were overblown ventures which aimed at changing the fundamental nature of the farmer's universe rather than intensive business associations for the more effective management of the countryman's economic relations to those with whom he must transact his business. The Grange is practically the sole survivor of these experimental organizations of the past generation of farmers, and bids fair to continue in permanent and solid usefulness because of its social and educational character. But since approximately the beginning of the new century, effective business organizations have been making solid growth in all the chief lines of agriculture. Live-stock raisers, horticulturists, and the growers of various field crops have associated themselves together along regional, breed, or other lines. Producers' associations of wide variety and great strength today possess extensive resources for the fostering of their respective lines of production, and this includes distinctly the effort to secure wide markets and profitable prices.

More peculiarly concerned with price matters, however, are the great mass of growers' marketing organizations which have become so well established during the last fifteen or twenty years.

Built up from the groundwork of local shipping associations into district and sometimes regional and (at least nominally) national central exchange organizations, these bodies wield a very considerable influence in the enforcing of such price policies as they conceive to be essential to the welfare of their members. Mobilization has gone forward quietly but effectively, the passage of co-operative organization and collective bargaining laws has improved their offensive resources in several states, and a considerable number of victories have already been won in the field, as witness the Dairymen's League in New York and Milk Producers' Associations in Ohio, Illinois, and elsewhere.

The farmers' elevator movement has given rise to some twelve Farmers' Grain Dealers' Associations, and certain straws indicate that the wind blows just now in the direction of a more aggressive type of centralized action after the general pattern of the United Grain Growers of Canada. Last year a large amount of the wool clip was handled at a few central market points by joint arrangement of state wool marketing associations. On December 4, 1919, a National Federation of Live-Stock Shippers was organized. Primarily these bodies exist for the betterment of marketing methods, and the extent to which they will become price-influencing agencies remains to be seen. However, it is evident that they have, even at the minimum count, a considerable potential power to bring pressure to bear upon the price policies of public officials and the outlook of large buyers in the great markets, and, within limits, the attitude of their own members as to the releasing of goods at given levels of price. The analogy between such federations of growers and the nationally organized trade-unions and their federation is sufficiently apparent. If, as seems incontrovertible, the insistence on the part of organized labor that wages be maintained has been a significant factor in upholding the price level for labor since the conclusion of the war, it seems evident that the degree of solidarity already attained by organizations of farm producers would have an appreciable influence in preventing the decline of farm prices. Of the limitations upon that power something will be said in the next section.

But before leaving the question of farmers' organizations as a bull influence on prices, we should note a third type of organization—what might be called overhead or policy organizations. As indicated a moment ago, the older types of farmers' organizations were more or less political in their cast. In the last few years there has been a recrudescence of this tendency, though doubtless in a milder, saner, and more constructive form. However, there has been a very distinct feeling that there should be some central and official means of making the farmer's voice heard on matters touching politico-economic arrangements which determine the character of his business opportunity and social welfare. Farmers' lobbies have long been a feature of legislative sessions in the principal rural states, but the new movement aims to supersede local, partisan, and selfish unofficial groups of this sort by a single official delegation raised above the narrowness of class interests and free from the taint of partisan connection. Thus, for example, there has been talk of a national temple of agriculture to be established at Washington, to be equipped with an economic research department capable of getting the facts upon which sound policies could be built, and made the headquarters for all the different organizations which aim to represent the farmer and support his cause.

This movement has gone as far as to establish a National Board of Farm Organizations in Washington with a permanent secretariat and a settled (though rented) abode.

More truly national and more convincingly and comprehensively representative in character is the new National Federation of Farm Bureaus, which was organized on November 12, 1919. This body, built as it is on the foundation of state federations, made up in turn of county organizations, aspires to represent the agricultural industry of the whole United States in a comprehensive and constructive manner. Evidence is abundant that they conceive their mission perhaps above all else just now to be the doing of anything which can properly be done to prevent the prices of farm products from being lowered below calculated costs of production. As to what this is likely to mean concretely, it may be pointed out that while yet in the formative stage this body, through the representatives of

five of its component state federations, spoke vigorously and warningly to the president and various other officials of the government concerning the drive on farm prices which featured the attempt of last August to lower the cost of living. They assert that that movement was responsible for the lowering of farm prices drastically and of consumers' prices scarcely at all, and take credit to the organization for having led the attorney general to call off the dogs of war. Later developments cast some doubt on the permanence of that achievement, but a new drive on farm prices may quite certainly be expected to call forth a much more decisive test of strength on the part of the now more completely organized national federation. It is worthy of note that this organization is looking forward to having a million members, which would mean annual funds of upward of half a million dollars.<sup>1</sup> It has been proposed that a substantial sum from this war chest be used to support some suitable agency for research into questions of agricultural production and distribution in this country and abroad, world-demand, costs of production, tariff and trade policies, and like matters. Should it decide to rest its policies firmly upon such a rational foundation it would bid fair to exert its great strength with telling and, on the whole, beneficial effect, because keeping itself in line with underlying economic forces. Otherwise it will be in danger of committing all the economic sins and blunders that have marred the history of organized labor in America. But whether with sweetness and the light of reason or in blindness and with sheer brute strength, the organized bodies<sup>2</sup>

<sup>1</sup> The state federation in Iowa now has about 110,000 members and some \$300,000 in a special fund outside regular membership dues.

<sup>2</sup> Some notion of the general outlook of the Farm Bureau Federation may be secured from an examination of the poster which they have used quite widely in the carrying on of their membership campaign in the state of Iowa. It reads as follows:

#### FARMERS!

Have a right to the cost of production. Only about twice in the past forty years has the price of farm products brought the cost of production. Take away from the farmers of the middle west the money made in the rise of farm lands and they have worked for nothing.

The long hours of labor; the work of women and children; the work without wages or return on capital invested have made it possible for farmers to pay for their farms.

#### ORGANIZATION

on the part of farmers is their only salvation from peasantry or slavery. Many think the farm is only a fit place to raise cheap food. We believe

of farmers, we may be quite certain, will try to keep farm prices from dropping while wages, equipment costs, rents, and domestic expenditures remain high.

#### V. WILL ADVENTITIOUS FACTORS UPSET THE FARMERS' EFFORT TO MAINTAIN PRICES?

Up to the present point we have been looking only at one side of a question which, however, is as distinctly two-sided as any inquiry could possibly be. Even granting that production costs have advanced, that the farmer is fully aware of this fact, feels strongly that these advances must be underwritten in the price schedule of farm products, and has organized aggressive and well-built agencies for the accomplishment of that purpose, it is yet perfectly evident that the most laudable intention and the most titanic effort in this direction will meet with defeat if the fundamental forces operating on either supply or demand sides of the price equation should depart widely from their present adjustment.

*European demand.*—The first of these conditions was admirably illustrated late in the summer of 1919, when the conjunction of an official price drive in this country and a bad foreign exchange situation and post-war poverty abroad caused effective demands to slip away from under the pork-products market and allow hog and corn prices to suffer an unparalleled collapse. It is perfectly evident that if European governments pursue a fiscal policy with reference to exchange and international credits and a tariff policy with reference to agricultural products designed to foster domestic agriculture and to discourage importation, the foreign market for our farm products will so contract as to cause any probable volume of supply to equate against the remaining demand upon a

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the farmer has the same right to returns on the capital invested as has a bank or factory. We believe the farmer has the same right to a decent wage for his labor as the same service would bring in the factory. This Organization

#### NEEDS YOU

The Iowa Farm Bureau Federation and the County Farm Bureau need your support. The week beginning October 13 you will be asked to help with this great business. You will be given an opportunity for the first time to join hands with all the farmers of Iowa and other states in perfecting an organization so strong that they will receive justice.



lower level of prices, even in the face of unreduced costs of production.

The continuance of restriction on imports of food, notably in Great Britain and Italy, has been a clear indication of such an intention on the part of European statesmen. Even though relaxed from time to time to prevent actual suffering, the underlying determination is evident and its soundness can hardly be gainsaid. The error in judgment which caused the ill-starred price boom of last spring and summer in America was due to a confusion between the wants or even needs of Europe's population and the effective buying power which could be mobilized for their satisfaction. The "wall of lard around Germany" and likewise much ham and bacon in France and other supplies in store abroad or at American export points moved but slowly, and considerable supplies actually spoiled while a Simple-Simon-and-the-Pieman dialogue went fruitlessly forward. Everyone is aware of how imperfectly that *impasse* has been resolved in succeeding months, in spite of temporary improvement in the export business in certain food products. The packers, the United States Grain Corporation, and the ambitious and expressly created American Export Financing Corporation have done something. But as for an effective export demand commensurate with the task of "feeding Europe for five years" (some bulls say ten) it simply has not materialized, nor is it probable that it will.

Indeed it has always been my contention that the end of the war period would inevitably turn the attention and energies of Europe first of all toward supplying her primary needs of food and clothing as fully as her agricultural resources would permit.<sup>1</sup> This prognostication is borne out by the testimony of those who have followed closely the agricultural rehabilitation in the warring countries. Such witnesses have been invariably surprised at the rapidity with which the land has been restored to effective use. It seems clear now that even in the devastated districts the amount of land which it will be impossible to cultivate again is comparatively small and the evidence is convincing that the productive

<sup>1</sup> See *North American Review* (February, 1916), p. 254; *Wallace's Farmer*, June 20, 1919.

capacity of France and Belgium in 1920 will be practically up to the pre-war basis, whereas England and the European neutrals show a somewhat enlarged agriculture as a result of the stimulating effect of the war. We must not overestimate the importance of the four million acres of English land brought under the plow during the war period, but at the same time it is worth while to remember that a very strong wave of public opinion in Great Britain has set in the direction of agricultural self-sufficiency as a result of the dangers revealed to her by the submarine campaign.<sup>1</sup> With still greater handicaps placed upon the revival of industry and trade of the Central European countries they must put forth even greater efforts to feed and clothe themselves from internal sources. Their 2-cent marks and 1-cent kroner cannot possibly be looked upon as a means of keeping up a high level of prices for American farm products through the demands of exporters.<sup>2</sup>

*Home demand.*—Quite as evidently the coming of a widespread industrial depression in this country as a distressing accompaniment to our blundering reconstruction efforts would entail unemployment and decreased purchasing power to an extent which would force the farmer to sell his crops at low prices even though the costs incurred in producing them had been high. Evidences are abundant and increasing that the consumer's ability to pay high prices is beginning to wane with the cessation of overtime work, the

<sup>1</sup> As it becomes apparent that this is not economically possible within the constricted limits of the British Isles, this self-sufficiency propaganda naturally turns aside to the more feasible program of self-supply within the bounds of the empire. Of this more will be said shortly.

<sup>2</sup> Indeed, in the case of butter, the failure of European buying power to revive as rapidly as her productive capacity has caused exports of some 300,000 pounds of Danish butter to this country, forcing down prices here by several cents and threatening still further declines. Production in Holland and Denmark has been restored practically to the pre-war basis, but owing to higher prices the home population continues to use margarine and the English market does not reopen as was expected. "In addition to Danish butter, it was reported that liberal offerings were made of Argentine butter of fair to good quality and Holland butter of good quality at prices ranging from 59½ to 61 cents, respectively. The subnormal consumptive demand coincident with high prices and the general unsettled conditions existing tended to place the market in a position particularly susceptible to outside influence. Continued receipts of foreign butter could very readily force storage butter prices to a point which would entail loss to the holder" (*The Market Reporter* [January 17, 1920], p. 40).

frequency of strikes, the exhaustion of his Liberty Bond holdings, and the crystallization of sentiment around the slogan, "I won't pay it." Price drives, even if not always to be taken at par, yet operate to stiffen the general public's unwillingness to meet what seem to them unreasonable exactions and weaken the dealer's resolution to hold out for as much as or more than he has been getting during recent months.<sup>1</sup> The newspapers inform us that retail clothiers have taken a stand and propose to insist that the clothing manufacturers must absorb any further increases in costs. Sooner or later such a reversal of the stream of price-making forces is bound to set in and quite possibly start a cumulative bear psychology which will overemphasize depressing influences, much as the boom factors have been somewhat overplayed during the "seller's market" period through which we have been passing. If, as the present (early February) extreme demoralization of foreign exchange threatens, there is a backing up in domestic markets of manufactured supplies destined for export, the consequent flooding of home demand would cause the prices of such non-agricultural products, far from merely sharing at some later day in the price declines which impend for farm products, actually to induce and augment that downward movement.

*The outlook for domestic supply.*—Both of the foregoing hazards of lowered demand are real possibilities upon which the farm-products market must keep a weather eye. Equally significant, however, and more pleasant in its potentialities is the chance of an altered equilibrium of supply and demand as the result of a favorable growing season over wide agricultural areas. The bumper crop year has more than once played a beneficent rôle in our history and the vouchsafing of such a dispensation in 1920 would go far toward making it possible to round a difficult corner and start the cost of living and of raw materials downward without harm<sup>2</sup> to

<sup>1</sup> Thus far, the farmer asserts, such price reductions as have been made to the consumer have all been passed on to the grower, leaving dealers and manufacturers unscathed, or, in the case of live-stock and meat prices, packers' and merchants' costs have been reduced without any corresponding reduction to consumers.

<sup>2</sup> Not strictly without any possibility of lessened return to the farmer since it is a well-known fact that the largest crops do not bring the largest total price, whereas the cost of handling a bumper crop is of course increased.

the producer and to the great benefit of industrial interests. A succession of favorable years would of course be needed to give the good work its full consummation. It might be added that both our present position in the (none too clearly defined) weather cycle and certain factors in fall and winter weather conditions give a color of optimism to the outlook.

Another possibility in the way of augmented supplies might in this day of scientific progress appear attainable as a result of improvements in the technique of production or market handling, which would cause a given outlay of cost goods to yield a larger effective supply. There has been much talk of lessons in efficiency learned during the war, but in the main it is doubtless true that the increase of output from a reduced labor force was to be attributed to the speeding up of the workers under the stimulus of patriotism. Doubtless we cannot expect this to continue, whereas on the other hand the impairment of fertility (as a result of forced production at a time when commercial fertilizers were scarce and high and labor shortage not conducive to the full conservation of farm manures) and also the deterioration of much general farm equipment would tend to make yields proportionately smaller.

Possibly these two factors, impairment of plant and improvement of personnel, would about cancel out. Even so, we should still have the general issue as to the advancement of our technique of production. Does not our progress in the science of agriculture and the economics of agriculture tend to lower production costs or increase the volume of production from a given outlay? By itself it no doubt does, but it has to combat the enhancement of costs due to the depletion of fertility of good lands and the resort to poorer lands. The net resultant has not been a lowering of costs in the period since we first occupied the virgin resources of the Mississippi Valley. Now that we have skimmed the cream and come down to to the milk basis of permanent agricultural use; now that the uses of lime and phosphate have been so well established; now that alfalfa, sudan grass, and some other new crops have been introduced; now that so many farms are equipped with silos and gas engines; now that farmers are learning to follow business principles in the internal organization of their farming

and co-operation is showing its efficiency in the field of external organization; now that education is being widely spread by our system of long and short courses in agriculture and its use economized by the division of labor in agriculture, it seems that we are entering an epoch in which improving technique will be a real factor in enlarging the ratio of output to outlay and hence of lowering prices. It may be hazarded as a guess, however, that just as this improving efficiency enabled the American farmer to raise his standard of living to a decent level during the period of rising farm prices preceding the war, so it will play the passive rôle of protecting that standard of living against encroachment if for any reason prices of farm products decline markedly after the war, rather than being the active force in lowering them.

*Foreign competition in agricultural supply.*—The chief and certainly the quickest source of cheaper food and raw materials is to be looked for, as it has always been, in the exploitation of new lands and a cheap labor supply. It has always been a complacent myth among Americans that no regions very much worth while were available for such purposes now that our lands are becoming fairly well occupied. Such a notion is based partly upon a very inadequate appraisal of the soil and climate of the less familiar corners of the globe. More particularly, however, it has found its comfortable but insecure premise in the easy assumption that lands which did not produce beefsteak and wheat flour, butter, lard, bacon, or white sugar are outside the pale of white men's consideration. Possibly, too, there has been in many cases an inclination to overestimate the stability of old population groupings and to underestimate the probable developments in long-distance transportation.

Against all this we must set the fact that there are in South Africa, South America, Siberia, Manchuria, and the interior of China enormous areas of land which, worked by the cheap labor that abounds there, under the direction of competently trained specialists from the older agricultural lands, promise to yield supplies of food and textile products which, transported by the efficient type of modern ocean vessels, will flood European and

American markets much as our agricultural surplus flooded the markets of Europe in the latter half of the nineteenth century.

It is quite impossible at the present moment to gauge the precise character and dimensions of this force. But even in the absence of the much-to-be desired quantitative statement, it is perfectly possible to discover it as a factor of major importance. The actual case of Argentine corn, Manchurian beans, Chinese eggs, Siberian butter, and South African live-stock products have already caused the American farmer some concern. This says nothing of the meaning to our dairymen of the introduction of nut margarines here as well as in Europe. Likewise, Brazil has recently shown herself capable of giving our Corn Belt keen competition in the matter of hogs and our cotton belt on the lower classes of cotton. A large colonization by German or other immigrants promises to give to them a labor and directive force capable of realizing the full measure of these potentialities.

Argentina expects to be able to expand her agricultural and stock-raising output to triple the present volume within a few years by improvement of methods and increase of acreage. The new Armour Packing Plant at São Paulo, Brazil, offers a sure market for every pound of beef, mutton, and pork that the Brazilian farmers will produce in the nearby future. It not only offers the market, but by means of model farms, literature, importation of blooded stock to sell at cost, and a system of offering attractive prices for better-quality animals, will stimulate improvement of cattle-breeding. Brazil has become already a recognized source of supply for meat, butter, cheese, and other products that were never exported before the war.

Clear across the South American Continent, from Peru to the edge of Brazil, is a great cotton belt, where excellent cotton has been produced on a small scale for years. Peruvian and Brazilian cotton has been classed among the higher-grade staples in Liverpool. In Brazil there is a well-organized movement to grow cotton extensively in a belt that includes the coffee region of São Paulo and a region northward. In Northern Argentina and in Paraguay, "bonanza scale" production of cotton is to be begun by great corporations organized in Europe, with large capital, and the governments will attempt to stimulate small-scale production.

Paraguay, lying south of the great new "cattle country" of Matto Grosso, Brazil, west of the "fine breeding region" of São Paulo, and northwest of the prolific grazing region of Rio Grande do Sul and Uruguay, and with Argentina and its great production at the south, is ambitious to raise cattle and build *frigoríficos*. The Paraguayan government has under consideration a new tax

system, designed to build up a gold reserve for a better monetary system and at the same time to stimulate the utilization of her immense tracts of grazing land in the "chaco." The "cattle zone" will be designated and a tax on cattle will be imposed. In order to make it properly stimulative, the tax will be imposed at a certain minimum per league of land, whether the cattle are there or not. The Paraguayan *peso* has steadily increased in value within the past three years as a result of a steady increase in the production and export of Paraguayan products. A considerable packing industry has been built up under American auspices. Chile, Peru, and Bolivia are progressing in new ideas of increasing production. All South America has gained in the direction of permanent growth by the war.<sup>1</sup>

In just what direction or precisely how far these forces will carry us it is impossible to say. But these factors are clearly evident: (1) European and even American industrialism will seek access to the cheapest foods and raw materials. (2) Our financial and trade position will facilitate the movement of such goods to our shores as never before, and those which go to Europe will have a hardly less direct and potent influence on our agriculture. (3) A great merchant marine having been constructed it is likely that these goods will be carried at rates cheap enough to produce a large volume of traffic regardless of construction costs, and both rate wars and trade wars may tend to accentuate the competition of younger lands with our own.

## VI. CONCLUSION

The foregoing analysis may quite possibly strike the reader as analogous to the problem propounded by the old metaphysics, "What will happen when an irresistible force meets an immovable body?" There is no doubt that the farmers are seeking to muster an irresistible force for the protection of their newly achieved higher level of returns. On the other hand, the immutable facts of economics impose an insuperable barrier to the maintenance of present prices (or their further advance) if effective demand be seriously impaired while supplies increase, remain stationary, or fail to be proportionately (or indeed perhaps more than proportionately) reduced.

<sup>1</sup> *The Americas*, January, 1920, p. 18.

So far as the demand for American products in the world's markets is concerned, the outlook is most certainly not bright if the facts presented in Section V are correct and the interpretation of them sound. The outlook for home demand is impaired, besides the waning of extraordinary war-time demand, by the probability of a less rapidly expanding urban population in the next epoch of American history and the keen competition that our manufacturers must meet in disposing of their goods in the markets of the world. In this connection we must not be confused by the analogy of the past nor mistake our relative situation in the stream of economic evolution. America today must yield to others her position of pre-eminence as a land of great exploitative opportunity. Even before the opening of the world-war we had our high-cost-of-living problem, the European emigrant had begun to look to South America, Africa, and other lands as often presenting more opportunities than did the United States, and capital, even American capital, found many of its most alluring possibilities elsewhere. Some 60,000 American farmers went to Canada and, had Mexico not been revolution ridden, the stockmen of the Southwest would doubtless have invaded it in large numbers.

The plain proposition is that, had not the extraordinary demands of a world-war supervened, we were due to see a strong and doubtless successful effort made to lower the market prices of agricultural products by turning from the existing organization of supply to the tapping of cheaper sources wherever they could be found. Europe bore the burden of those costs only by speeding up and increasing the efficiency of her industrial organization. Germany and Great Britain bought American lard and ham and bacon only by turning out cutlery and dyestuffs and textiles with paramount skill and selling them with equal shrewdness and economy. But even so, the former was beginning to look to Brazil and the latter to China for a cheaper substitute for the American article, and our exports of pork products showed a distinct falling off after 1906 and prior to the war movement. With the severe blow dealt to European industrialism by five years' destruction of man power and capital, there is evident on the Continent and even in Britain a necessity to cut down the use of meat and butter and eggs and



fruits to the limits of home supply eked out from the cheapest sources that the world can be made to yield. The recent decision of the allies to resume trading relations with Russia is symptomatic of a desire to assist any promising producer of cheap agricultural supplies to get into action to relieve the high-price and short-credit situation with which Europe is at present contending. If, as seems morally certain, considerable surpluses have accumulated in interior Russia<sup>1</sup> and Siberia, and if the *de facto* government will arrange to assume in any reasonable way the financial obligations of the old Russian government to her allies, it would seem possible to arrange to meet Europe's needs from sources largely outside the United States and offering advantages of nearness, political affiliation, a greater capacity to absorb European manufactures or a cheap labor supply. If, further, as seems by no means impossible, even a soviet government in Russia should be able to get a more effective labor contribution from the peasants than they made under the old régime the European export demand for American goods would quite likely fall not merely to the pre-war level but considerably and for some time if not permanently below it.

In view of what we know of the power of profit-hungry and politically backed concession hunters to bring the seemingly impossible to pass, it appears to the writer likely to be only a matter of a few years before the deep yearnings of British, German, Japanese, and lesser capitalistic groups shall have brought forth some politico-economic *modus vivendi* in European and Asiatic Russia which shall permit of the entrance of foreign traders and foreign capital and the inauguration of agricultural and mineral development on a scale unknown before. If so, the enormous undeveloped resources<sup>2</sup> of the country and the potential labor power of her

<sup>1</sup> The Ukraine Mission in America continues to insist that there is an accumulated surplus of 20,000,000 bushels of wheat, 200,000 tons of sugar, a great quantity of hides, and other farm products in their country, and travelers in Siberia bring a unanimous tale of immense stocks of grain, butter, and other products dammed up behind the congested terminal of Vladivostok. Even if these reports are somewhat exaggerated, it is likely that there is some accumulated surplus and a tremendous latent productive capacity.

<sup>2</sup> At present it is estimated that only 5 per cent of the area of Russia is under cultivation, ranging from 20 per cent in the Caucasus to one-tenth of 1 per cent in

millions with more personal incentive and more active direction than existed under the old monarchism will bring Eurasia to a position of self-sufficiency in practically everything America has to offer. Cotton, the outstanding exception, is produced in the Caucasus, but more abundantly in India, South China, Brazil, and Egypt.<sup>1</sup>

It is the writer's contention that the fuller application of the modern technique of scientific agriculture to the older lands and the exploitation of undeveloped farming resources yet available promises to bring about in the epoch ahead of us a relatively low price level for farm products comparable to that of the latter part of the nineteenth century. This statement has in view roughly the span of a generation, though it is to be expected that its general trend will become evident within a period of five years. Should the season be abundant and Russian reorganization prompt

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eastern Siberia (Goldstein, *Russia: Her Economic Past and Future*). There is a black-land belt extending from European Russia through the southern part of Siberia which is comparable in soil and climate to northern United States and southern Canada. If colonization and transportation development should result in bringing only 15 per cent of the whole country into use (over 25 per cent of the whole area of the United States was "improved land in farms" according of the census of 1910) this would add an area nearly four-fifths as great as the "land in farms" in the United States in 1910 and nearly 43 per cent greater than the "improved land in farms." If we add to this the potential increase possible in the low-acre yields of Russian agriculture, the scope of this competition is evident.

<sup>1</sup> It is a notorious fact that the English cotton industry had for some years before the outbreak of the war been seeking (through its British Cotton Growing Association) to develop adequate sources of raw material entirely within the empire. India now produces about one-third as much as the United States, all of it short staple but of good color and textile strength. In Africa, Uganda, Nigeria, and the Sudan produce some 80,000 bales, and these and other African sources (including the lands England took from Germany) show considerable promise of expansion. From Egypt come more than a million bales of long-staple cotton and the West Indies promise to produce all the Sea Island cotton needed by the English mills. Brazilian production (with Peru) is not much over half a million bales, but it has come up very rapidly in the recent past and promises great expansion. The *Yearbook* of the U.S. Department of Agriculture shows Russia's contribution in 1915 as not quite one and one-half million bales. Goldstein (*op. cit.*) puts it a trifle higher and asserts that with proper development "Russia ought to rank next to the United States as a cotton-growing country."

it is my belief that prices of agricultural products will be forced distinctly lower during the present year. Indeed, it may be quite possible that present market weakness, instead of being a mere temporary disturbance, is in fact the premonitory ruffling that marks the advent of a long-to-be-continued change in our price current.<sup>1</sup>

Where then do the farmers organized to prevent a damaging downward revision of prices come in? Anyone who is in touch with actual events in the country knows that definite results of a sort have become evident. Traders at the stockyards recognize the dissatisfaction of farmers and farmers' organizations with present prices as a potent factor in holding stock off the market. However, the limits of such a course are evident. Animals on feed must go to slaughter sooner or later, and there is a growing sentiment that, as farmers come to the end of their rope (and as more cars become available), the run of spring and summer supplies will cause prices to fail to show the strength that feeders ordinarily look forward to at that season.

In so far as a policy of restriction of output has actually been put in practice it appears to have been less rather than more rapid and effective than the shrinkage in demand. It is a matter of

<sup>1</sup> Certainly one can get little comfort in trade channels. Grain operators are rating the May future on corn about twenty-three cents lower than the cash market (February 5), where the experience of past years shows a rise of 13 per cent between the early part of February and the middle of May. The circumstances which will surround the grain trade at the time when the one anchor of a guaranteed price on wheat is let go bid fair to favor a bear raid which will spread to all parts of the list and effect a lower scale of prices from which recovery will be impossible.

One of the great live-stock commission firms observes under date of January 29: "While receipts of cattle at the seven principal markets show a falling off this month as compared with January, 1919, of about 20 per cent, the market has not responded in the way of higher prices, as might have been expected. It is simply a case of less broad demand than that which prevailed a year ago. Throughout the month we have had many complaints from customers of inability to get cars and had those parties been able to ship their cattle we doubt very much if January's run would have fallen any short of a year ago. This seems to indicate that February is going to see a fairly liberal movement of cattle to market, and under the circumstances it is hard to figure how we can have improvement in the general trade. There is no doubt that a vast number of feeders are losing money on their cattle this winter and the pity is that the outlook does not hold some promise for them."

common knowledge in the Corn Belt that fewer sows are being bred for spring litters, but this reduction is probably not too great in view of the amount of war-time expansion in this line and the rapidity with which other countries can restore their hog population.<sup>1</sup> Organized farmers cannot force the issue in a weak market any more than organized labor can win a wage strike on the eve of an industrial depression. Hence the sounder leaders are extremely wary of inaugurating a campaign with definitely announced price objectives. It would be but a Pyrrhic victory for organized American farmers to prove their ability to hold prices to their present level at the cost of discouraging consumption of their products and stimulating the development of rival sources of supply. Even in the matter of a product naturally as well protected as market milk, the effort to force a price which would fully return existing production costs has in several cases proved to curtail demand disastrously. It is quite possible that the attempt to invoke tariff protection in aid of the farmer would so enhance manufacturers' costs as to handicap the overseas development of our trade in industrial products and hence impair the home market by more than the amount of any direct benefit.

At the same time the difficulties in the way of any movement to restrict output must be borne in mind. In spite of an unquestionable voluntary reduction in live-stock production at the present time, it is not to be supposed that the farmer will close down his productive plant or even curtail his scale of total operations very materially as a means of maintaining prices. The manufacturer who drops to part-time work or closes down his factory throws other people out of work. He "cuts his losses" by shifting a large share on the working class (who in the phrase of the older economics

<sup>1</sup>The best available statistics indicate that the world-supply of live stock is practically as great today as it was before the war. The loss of cattle in Europe was less than was at first supposed and is more than offset by the increase in North and South America, and it seems probable that this shift in the industry will to some extent be maintained. As for swine the marked shrinkage in Europe was only partly made up in the United States and other countries. It is in this line that restoration will be quickest and most complete in Europe, so that the war-time expansion in this country should probably disappear by next year.

“contract themselves out of risk” through the means of a wage bargain). To abandon production is for the farmer practically sawing off the limb that he is sitting on, since his work force is largely himself and his family.<sup>1</sup> He sees a better chance of being fed and clothed if he produces to sell at low prices than if he does not produce at all, and may even work harder to make more units at a low price bring in as great a return as did fewer units at a higher price.<sup>2</sup> Likewise in the case of long-time developments, like herds and orchards, quick reduction or increase is difficult. While restrictionist policies are relatively difficult of enforcement in an industry so loosely organized as is agriculture, the power of present organization in this direction is hard to gauge. As with trade-unions, manufacturers’ associations, and like bodies the prime demand upon them is to show results, and this in general is interpreted to mean better prices. At first there seemed a general tendency to adopt the fragile logic of the permanently higher level of prices, especially for farm products—Europe’s prime necessities—but at least in the case of the National Federation of Farm Bureaus closer grips with the problem seem to have begot less confidence in the ability to perform miracles of price maintenance. Undoubtedly they may do much to make the retreat orderly and check disproportionate slashing of particular farm prices by sentimental forays at supposedly vulnerable spots. But in the main it is likely that their chief service and real power will prove to be in learning just what effective demand is available and the exact sources and extent of rival supplies, in order that American

<sup>1</sup> This of course has in mind chiefly the farmer who for one reason or another is not in a position to get out of farming altogether. In the latter class a greater knowledge and closer scrutiny of costs of production will tend to keep the margin of production in line with a reasonable wage and return on invested capital.

<sup>2</sup> At the same time, when prices decline so far that the scale of commercial crops yields only a bare living, farmers incline to shift their productive operations to a more self-sufficing basis. At the present time a murmurous suggestion of this sort may be heard in some sections of the Corn Belt where the discontent with the trend of hog prices causes some farmers to threaten to cease producing pork for an unremunerative market and to turn their attention to raising their own supplies on their own farms until such time as shortage of supplies shall bring the urban consumer to a more liberal frame of mind.

producers may gauge their efforts with the greatest wisdom and economy.

The most promising line of endeavor would seem to be in the direction of protecting the farmer's net return by seeing to it that costs move down in conformity with inevitable declines in selling prices. The farmers' organizations can do this partly by fostering all efforts which look toward productive efficiency on the farm and in the market handling of agricultural products. They are already mobilized to check advances in transportation costs designed to pay railway employees rates of income grossly disproportionate to their own. They are acutely conscious that costs of the machinery, fertilizers, and other supplies which they purchase are enhanced, owing to present outlay of effort and schedule of return to industrial labor and capital. The incidence of tariff and patent protection and monopolization of mineral resources is likely to bear heavily on the unprotected farmer in the coming epoch of world-trade. Should he clamor for protective tariffs on farm products and marshal a nation-wide organization back of the demand, it might be interesting to see which policy protected industries would follow. For a generation they have duped him with agricultural tariffs which did not protect his wares, only to repeal these as soon as they showed a real power to enhance the prices of farm products in our domestic markets. Faced by an inescapable demand for effective rates on foods and textiles these interests might cynically shift the tongue to the other cheek and come out as free traders in order that they be able to get raw materials and food for their workers from the cheapest sources of supply, in whatever corner of the world they may be found. This would be but repeating English history in America and if accompanied or preferably followed by a drive on other abuses of industrialism on the part of the farmers nationally organized, it would enable the farmers of the United States to hold their own reasonably well against the competition of the world. A high level of education and a high standard of organization together with excellent natural resources must make up in efficient production the balance compared with the lower standard of living of other peoples or the

fresher fertility of other lands. Of such a program we may say: 'Tis not so wide as a tariff door, nor so deep as a well of subsidy; but 'tis enough, 'twill serve.<sup>1</sup>

E. G. NOURSE

IOWA STATE COLLEGE OF AGRICULTURE

<sup>1</sup> Quite probably, however, all this would mean a new drift of population away from American farms both into industrial callings and to newer lands. A revival of the movement to Canada and an exodus to a hypothetically pacified Mexico may be foreseen. But likewise both men and capital will quite likely be drawn to South America, Africa, and Asia. Just as promising graduates from our engineering and commercial schools have for some years back been taken overseas to serve great mining, manufacturing, and financial interests in South America, the Orient, and even in Europe, so it seems altogether probable that selected youths from our agricultural colleges will in the future find their footsteps turned away from American agriculture, temporarily slowed down in the evening-up process of world economic evolution, and toward the more glittering opportunities of other lands. Such an event need not be regarded in the light of tragedy, provided the condition of the immobile bulk of our farmers who must perforce remain in their old callings and in their old location is kept up to a reasonable level of prosperity.